

Milwaukee County Employees' Retirement System (ERS)

Investment Committee Meeting

MINUTES

Call to Order:

Acting Chairperson, John Maier called the meeting to order at 2:30 pm, on 4-5-10, in Room 203-P, of the Milwaukee County Courthouse, 901 N. 9th Street, Milwaukee, WI. 53233.

Roll Call:

Board Members Present:

Jeffrey Mawicke
Linda Bedford
John Maier

Others Present

Gerry Schroeder
Mark Grady
Dale Yerkes
Brett Christenson
Ray Caprio

Three (3) handouts were provided to the Board members and others in attendance:

- Commission Summary – Marquette Associates
- Statement of Investment Policy – Marquette Associates
- Sample Real Estate Search _ Marquette Associates

1. Topic: Commission Recapture

We had an increase to 10% in 2009 on our Commission Recapture rate. Commission Recapture totaled \$38,220. ERS managers generated a total of \$397,251 in Commissions through portfolio trading. This is very good considering that we reduced managers and conducted a number of transitions through asset allocation changes. However, the 10% recaptured is below the 50% guideline. Some managers did not achieve any recapture through ERS approved firms. There are a number of reasons why it is difficult or appropriate for managers not to be able to meet the 50% goal.

The ability to recapture commissions is decreasing as a result of the increased amount of commingled funds and limited partnerships the fund is now invested in and the reduced number of traditional equity managers the fund currently employs. The amount of equity trading has decreased. In addition, the efficiency of the equity trading world through technology has increased dramatically over the last few years and as a result the cost to trade stocks has decreased industry wide leaving less dollars to be recaptured. The Committee discussed eliminating the requirement of

the managers to recap 50% of all commissions by reducing the percentage to a more realistic rate or by merely requiring that the managers employ best execution. The Committee agreed to recommend to the Board the revised investment policy guidelines recommended by Marquette on page 25. The revised policy would require managers to use their best efforts to reduce commissions and suggests the managers consider utilizing ERS commission recapture firms when trying to achieve best execution.

2. Topic: **Policy Guidelines Investment**

The balance of the revised Policy Guidelines was discussed. A number of changes have been made from the prior policy in order to reflect the new asset allocation, new managers, new benchmarks, the use of transition managers, the cash overlay program, the manager evaluation process and rebalancing. The Investment Committee did not have any further changes and supported the revised policy guidelines and recommends adoption by the Board.

3. Topic: **Fiscal Officer – Custodial & Index Accounting Relationship**

The Fiscal Officer Assistant (Dale Yerkes) shared his view on administrative concerns that would arise in the event ERS were ever required to transfer Custodial Services away from BNY Mellon. His concerns consisted of:

- Compatible data reporting system
- Cooperative arrangement
- Long history with ERS
- Northern Trust's non-compatible reports
- Fiscal unit being under-staffed
- Current audit, RFP's & new V-3 system

4. Topic: **Marquette – Real Estate Examples & Review**

The committee reviewed the Real Estate Search handout, with an emphasis on qualifications. The RFP process was reviewed, with the goal of hiring two to four managers. The Investment Committee will recommend the issuance of the Real Estate RFP to the Board.

5. Topic: **Flash Report – 4th Quarter**
No discussion.

6. Topic: **Marquette – Asset Allocation**
No discussion.

7. Adjournment: **The Investment Committee adjourned at 3:40 PM.**


Gerald J. Schroeder
ERS Manager